

To the Members of the California State Assembly:

I am returning Assembly Bill 76 without my signature.

AB 76 would create the Office of Pharmaceutical Purchasing (OPP) within the California Health and Human Services Agency. This bill takes a process currently performed by the Department of General Services (DGS), which has the general charge of purchasing goods and services for State agencies, and moves it to a newly created program, the OPP, in the Health and Human Services Agency, which does not currently have any purchasing functions, capacity or resources.

As the Legislative Analyst's Office (LAO) concluded in a recent report ("Lowering the State's Costs for Prescription Drugs," February 2005), the creation of a new state drug purchasing office could be costly, create organizational difficulties, and provide little strategic advantage to the State over the current arrangement in which procurement duties are already largely concentrated.

Many of the concepts in this legislation are a part of DGS's strategic purchasing initiatives and can be accomplished administratively without creating a costly and inefficient new bureaucracy. Accordingly, I am directing the Department of General Services to investigate and implement options and strategies to achieve the greatest savings possible on prescription drugs and undertake the following activities to the extent they are feasible and would help control prescription drug costs:

Identify opportunities for DGS, University of California, and California Public Employees Retirement System to coordinate procurement information, consolidate drug procurement or engage in other joint activities that will result in cost savings.

Pursue opportunities for the State and other eligible entities to achieve savings through the appropriate use of generic drugs and through the federal 340B program.

These activities, in combination with the efforts DGS has already undertaken, will help control the state's rising prescription drug costs without creating a costly and unnecessary new bureaucratic entity.

Sincerely,

Arnold Schwarzenegger